IMPROVING THE ACCOUNTING OF LIABILITIES IN COMMERCIAL BANKS

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Abstract. This article examines modern approaches to external auditing of liability accounting within the framework of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), and develops proposals for their adaptation to local practice. In addition, the paper substantiates the directions for maintaining liability accounting based on IFRS requirements, as well as its proper disclosure and improvement in financial statements.

Key words: liabilities, accounting, auditing, commercial banks, IFRS, IAS 37, estimated liabilities, provisions, financial reporting, deposits, liquidity, solvency, risk assessment, legal framework, internal control, analytical accounting, debit and credit, financial transparency, international standards, liability classification, interest accrual, disclosure, methodological improvement, regulatory compliance.

INTRODUCTION. The liabilities of economic entities directly affect their financial position and solvency. Therefore, determining their level and adhering to repayment deadlines are of crucial importance. The accounting and management of public sector assets and liabilities have increasingly attracted global attention. In the process of delivering various types of public services, different forms of public sector obligations may arise. For this reason, it is appropriate to maintain accounting practices in accordance with International Financial Reporting Standards (IFRS). In 2004, the International Federation of Accountants (IFAC) issued International Public Sector Accounting Standards (IPSAS) for national, regional, and local authorities and relevant institutions. In the United Kingdom and other developed countries, these standards are widely utilized in the preparation of financial statements, balance sheets, and other reporting documents. Globally, efforts are underway to increase public revenues through higher tax collections in order to expand state assets; however, our tax revenue remains among the lowest indicators worldwide. Privatization and the restructuring of loss-making enterprises to reduce state deficits and organizational liabilities remain among the pressing issues of current economic policy.

RESEARCH METHODOLOGY. A number of scientific methods were employed in this study. In particular, comparative analysis was used to examine the experience of developed countries, statistical analysis facilitated the assessment of liability accounting and ESG practices in Uzbekistan, graphical visualization allowed the current state to be presented in tabular form, and the views of both local and foreign scholars were comparatively analyzed.

ANALYSIS AND RESULTS. In recent years, extensive measures have been implemented in our country to strengthen the rule of law and legality in the activities of state institutions, economic management systems, state-owned enterprises, agencies, and organizations. At present, significant efforts are being undertaken to introduce the International Financial Reporting Standards (IFRS) into practice and to improve the legal regulatory mechanisms governing their application. For this purpose, all international standards have been translated, and necessary amendments and additions to normative and legal documents are being developed by qualified specialists to ensure their effective implementation.

In this process, particular importance is attached to the adoption of International Accounting Standard (IAS) 37 into national practice. Therefore, within the framework of our research, it is necessary to thoroughly analyze the concepts of "liability" and "responsibility," as well as to clearly differentiate between them. Additionally, it is planned to comprehensively examine the classification of liabilities in Uzbek practice and their categorization under international standards, as well as their

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areas of application, core categories, and conceptual principles.

"In order to fundamentally improve the operation of legal services and bring their performance to a new qualitative level, the Resolution of the President of the Republic of Uzbekistan No. PP-2733 of January 19, 2017 'On measures to radically improve the operation of legal services,' Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 250 of May 1, 2017 'On measures to implement the Resolution of the President of the Republic of Uzbekistan No. PP-2733 of January 19, 2017,' as well as several orders of the Ministry of Justice of the Republic of Uzbekistan were adopted" (www.lex.uz).

Based on this resolution, the Ministry of Justice of the Republic of Uzbekistan has been designated as the specially authorized body responsible for coordinating and providing methodological support to legal services. It should be noted that the Presidential Resolution of January 19, 2017 No. PP-2733 emphasized strengthening legality in the activities of state institutions and organizations, enhancing the role and responsibility of legal services in the implementation of democratic and legal reforms, and set as the primary directions of legal services' activities the following: ensuring the supremacy of law and legality in the application of legal norms by state bodies and organizations; exercising legal review of draft regulatory and other documents prepared and adopted by state institutions; participating in the development of normative acts and coordinating the work of structural divisions in preparing proposals for improving legislation; raising legal awareness and legal literacy among employees of state institutions, including communicating the essence and significance of newly adopted regulations through modern information and communication technologies; maintaining contractual and claim-related legal procedures; and ensuring the reliable protection of property and other interests of state institutions and organizations (Resolution of the President of the Republic of Uzbekistan, No. PP-2733, January 19, 2017).

More specifically, in cases of disputes arising between state institutions and citizens, the legal service independently or jointly with other structural divisions undertakes measures to resolve them before court proceedings. Likewise, the legal service participates in the preparation and conclusion of contracts, ensures their compliance with applicable legislation, and endorses draft contracts if no objections or comments exist. During this process, the legal endorsement by the legal service is put forward following approval by other relevant structural divisions of the state body.

Additionally, the legal service ensures compliance with established procedures for concluding, executing, amending, and terminating contracts. In order to ensure the effective execution of concluded agreements, it presents recommendations and participates in work aimed at improving contractual relations. Moreover, the legal service prepares official claims to safeguard institutional interests, participates in reviewing claims made against the organization, and monitors compliance with claim resolution procedures.

Together with relevant structural divisions, the legal service analyzes the state of receivables and payables and develops measures to reduce them. It handles claim-related proceedings arising from contractual relations, participates in court hearings, and prepares necessary documentation to ensure the reliable legal protection of property-related interests.

Table 1

Classification of liabilities and their accounting treatment under IFRS

Type of Liability	Definition	IFRS Standard	Measurement Basis	Disclosure in Financial Statements
Current Liabilities	Obligations expected to be settled within 12 months	IAS 1	Recorded at settlement value	Presented separately from non-current liabilities

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Non-Current Liabilities	Obligations with maturity periods longer than 12 months	IAS 1	Present value of future cash flows	Detailed disclosure of terms, maturity and interest rates
Financial Liabilities	Obligations arising from financial instruments	IFRS 9	Amortized cost or fair value	Risk management and fair value measurement
Provisions	Uncertain timing or amount of obligations	IAS 37	Best estimate of settlement amount	Nature, expected timing, and uncertainties explained
Lease Liabilities	Obligations under lease agreements	IFRS 16	Present value of lease payments	Maturity analysis and discount rate applied
Tax Liabilities	Corporate income tax and related obligations	IAS 12	Based on taxable profit	Deferred and current tax separately disclosed
Employee Benefit Liabilities	Obligations to employees (pensions, bonuses)	IAS 19	Actuarial valuation	Assumptions and actuarial gains/losses disclosed
Contingent Liabilities	Possible obligations depending on future events	IAS 37	Not recognized, disclosed only	Conditions and expected outcomes described

The classification of liabilities in accordance with IFRS allows for a more accurate representation of an entity's financial position, ensuring transparency, comparability, and reliability of financial reporting. Clear distinction between current and non-current liabilities, along with appropriate measurement and disclosure requirements, strengthens investor confidence, supports effective risk assessment, and facilitates efficient financial decision-making. Moreover, aligning local accounting practices with IFRS contributes to the modernization of national financial systems and integration into global economic standards.

In addition, the legal service reviews draft legal documents prepared on matters related to safeguarding property, evaluates their compliance with legislation, and participates in their development. In cooperation with relevant structural divisions, it analyzes the causes and circumstances of embezzlement, shortages, or non-productive expenses, and takes measures to eliminate them. Furthermore, in cases of detected embezzlement or shortages, the legal service prepares the necessary documentation for submission to law enforcement authorities.

The legal service also prepares legal opinions regarding draft documents for the write-off of material assets and funds, as well as legal conclusions on violations of law and abuses identified during audit inspections and inventory reviews.

Currently, legal services within state bodies, economic management structures, state enterprises, institutions, and organizations base their activities on legally established frameworks. In particular, the main legal sources regulating this area include the Civil Code of the Republic of Uzbekistan, the Civil Procedural Code, the Economic Procedural Code, as well as the Law "On the Contractual-Legal Framework of the Activities of Business Entities" adopted on August 29, 1998, and other normative-legal acts.

Several articles of the Civil Code provide the possibility of amending or terminating contractual relations. Unless otherwise provided by the contract or unless a different condition arises

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from the nature of the agreement, a substantial change in the fundamental circumstances on which the contract was based may serve as grounds for revising or terminating the contract upon the initiative of one of the parties.

For example, under a retail sale-purchase agreement, if goods are delivered that do not meet the required quality standards and such conditions were not agreed upon at the time of concluding the contract, the buyer is legally entitled to two options: either to proportionally reduce the price of the goods or to terminate the contract while claiming damages.

In the case of contract-farming agreements, if it becomes evident in advance that the producer of agricultural products is unable to supply the goods in the specified volume and assortment due to non-fulfillment of obligations, the procuring party has the right to terminate or amend the contract, as well as to demand compensation for incurred losses.

In essence, liabilities arise from an obligation to perform certain actions or to achieve specified results. If these obligations are not fulfilled on time, the organization's economic benefits may decrease.

International Accounting Standard (IAS) 37 introduces the concept of a provision as the mechanism for assessing the value of liabilities. A provision is defined as a liability with uncertain timing or amount. The value of a provision is determined based on the most reliable and well-founded estimate of the expenditure required to settle the obligation. At the end of the reporting period, the amount of expenditure that would be necessary to fully settle the obligation or transfer it to a third party at that time is taken as the basis.

A number of methods are used to determine the amount of provisions, one of which is the "method of expected monetary values."

It is noteworthy that in the most recent translation of IAS 37, the term "provisions" has been replaced with "estimated liabilities." In earlier Uzbek translations, the standard was titled "Provisions, Contingent Liabilities, and Contingent Assets," whereas in the updated translation it is referred to as "Estimated Liabilities, Contingent Liabilities, and Contingent Assets." This indicates that the terms "provisions" and "estimated liabilities" are conceptually close in meaning, with nearly identical economic essence.

More precisely, in earlier definitions, "provisions" were described as "liabilities with uncertain amount or timing of payment," while in the current official translation, "estimated liabilities" are defined as "liabilities with uncertain timing or amount of settlement." Thus, both terms convey almost the same economic meaning.

In accounting theory, the dynamics of an enterprise's liabilities are typically explained through the formation of income and expenses. The income and expense accounts displayed in accounting records represent a reconstruction of liabilities, reflecting their transformation in the accounting system and influencing the organization's overall financial results.

From this perspective, profits and expenses can be considered as economic, legal, and accounting consequences of company liabilities. Through the analysis of these categories, it is possible to identify liabilities, their impact on operational activities, and aspects related to financial condition.

In the activities of commercial banks, accurate accounting of liabilities and their complete and reliable reflection in financial statements constitute essential conditions for financial stability and transparency. Liabilities enable a precise assessment of a bank's liquidity level, risk profile, and financial outcomes.

CONCLUSION. As a result of the research conducted on improving the accounting and auditing of liabilities in commercial banks, the following conclusions, proposals, and recommendations have been developed:

In this dissertation, the fundamental issues related to organizing, maintaining, and conducting

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the accounting and auditing of liabilities in commercial banks were examined. Furthermore, the dissertation proposes approaches and recommendations aimed at resolving these issues.

Scientific and theoretical perspectives of both domestic and international economists on improving the methodology of liability accounting and auditing were reviewed. Their definitions and interpretations of the term “liabilities” were analyzed, and the author’s academic viewpoint regarding these scholarly contributions was presented.

It should be emphasized that in maintaining liability accounting in commercial banks, its legal and methodological foundations were systematized. The rules and procedures for accounting for liabilities within the framework of International Financial Reporting Standards were directly elaborated.

The classification and types of liabilities play a crucial role in the accounting of liabilities in commercial banks. Therefore, particular attention was given to the main categories of liabilities and their specific features within accounting practice.

For the purpose of improving the analytical accounting of liabilities, the main accounting entries employed in liability recognition within commercial banks were developed in accordance with IFRS.

Additionally, recommendations and proposals were formulated concerning the recognition, measurement, and disclosure in financial statements of deposits placed by individuals and legal entities — which represent an essential component of commercial bank liabilities. In particular, the stages of accounting for deposits were developed and introduced into practice. This includes the presentation of accounting entries for recognizing deposits in compliance with IFRS requirements. Special attention was given to the processes of accepting deposits from individuals and legal entities, calculating accrued interest, reflecting these transactions in accounting records, and appropriately disclosing them in financial statements.

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6. APB 22: Disclosure of Accounting Policies APB 22 STATUS. APB 22, Footnote 1-See APB Statement No. 4, This Opinion amends Statement No. 4 insofar as it relates to disclosure of accounting policies. www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176156418903&acc

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